

Internal Revenue Service

Department of the Treasury

District
Director

Date: AUG 06 1987

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented, disclosed that you were formed [REDACTED].

The purpose for which the organization was formed is to set up a fund to provide for recognition and or gifts for certain occasions to members.

Your activities consist of disbursing the funds collected, as gifts or cash to members for sickness, weddings, births, death, anniversaries, retirements and promotions. The funds are collected bi-weekly and then dispensed to an individual member.

Section 501(c)(7) of the Code provides exemption to clubs organized for pleasure, recreation, and other nonproftable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Ruling 69-635, 1969-2 C.B. 126 holds that an organization whose principal activity is rendering services to the members does not qualify for exemption under IRC 501(c)(7)

Revenue Ruling 70-32, 1970-1 C.B. 132 holds that in order for a club to meet the requirements for exemption under Section 501(c)(7) of the Code, there must be an established membership of individuals, personal contacts and fellowship. Furthermore, a commingling of members must play a material part in the activities of the organization.

Section 1.501(c)(7) of the Regulations states, benefits should not inure to a private shareholder.

Like the organization in Revenue Ruling 69-635 your organization is rendering a service to the members, by collection and disbursement of funds to individuals.

Like the organization in Revenue Ruling 70-32, the activities of your organization, does not show that commingling plays a material part. It is just a matter of collecting funds and dispensing it.

Under section 1.501(c)(7) of the regulations, your organization definitely has inurement. The funds collected benefits individual members at various times.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(7) of the code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,



District Director

Enclosure: Publication 892